

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Greater Lapeer County Utilities Authority	County Lapeer
Fiscal Year End 6/30/06	Opinion Date 8/10/06	Date Audit Report Submitted to State 8/24/06	

We affirm that:

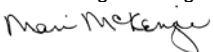
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO** Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No comments	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.		Telephone Number 989-793-9830	
Street Address 3023 Davenport		City Saginaw	State MI
Authorizing CPA Signature 		Printed Name Mari McKenzie	License Number 10725

**GREATER LAPEER COUNTY UTILITIES AUTHORITY**

**Annual Financial Statements**

**and**

**Auditors' Report**

**June 30, 2006**

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## Independent Auditors' Report

Board of Trustees  
Greater Lapeer County Utilities Authority  
County of Lapeer  
State of Michigan

We have audited the statement of net assets of the Greater Lapeer County Utilities Authority as of June 30, 2006 and 2005 and the related statements of revenue, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Greater Lapeer County Utilities Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Greater Lapeer County Utilities Authority at June 30, 2006 and 2005, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
August 10, 2006

**Greater Lapeer County Utilities Authority**  
**Statement of Net Assets**

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	June 30,	
	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Cash	\$ 61,963	\$ 60,765
Due from other governmental units		
City of Lapeer	144,041	141,522
City of Imlay City	98,787	96,540
City of Almont	26,271	10,140
Township of Mayfield	<u>9,097</u>	<u>416</u>
Total assets	<u>340,159</u>	<u>309,383</u>
<b>Liabilities</b>		
Due to other governmental units	278,195	248,618
Deposits		
City of Lapeer	36,400	36,400
City of Imlay City	<u>16,500</u>	<u>16,500</u>
Total liabilities	<u>331,095</u>	<u>301,518</u>
<b>Net Assets</b>		
Unrestricted	<u><u>\$ 9,064</u></u>	<u><u>\$ 7,865</u></u>

See Accompanying Notes to Financial Statements

**Greater Lapeer County Utilities Authority**  
**Statement of Revenues, Expenses and Changes in Net Assets**

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	Year Ended June 30,	
	<u>2006</u>	<u>2005</u>
<b>Operating revenues</b>		
Intergovernmental - local	<u>\$ 1,523,059</u>	<u>\$ 1,429,046</u>
<b>Expenses</b>		
Water purchased - City of Detroit	1,521,214	1,427,460
Legal and professional	2,950	3,160
Miscellaneous	<u>16</u>	<u>15</u>
Total expenses	<u>1,524,180</u>	<u>1,430,635</u>
Operating loss	(1,121)	(1,589)
<b>Nonoperating revenues</b>		
Interest income	<u>2,320</u>	<u>1,140</u>
Increase (decrease) in net assets	1,199	(449)
Net assets, beginning of year	<u>7,865</u>	<u>8,314</u>
Net assets, end of year	<u><u>\$ 9,064</u></u>	<u><u>\$ 7,865</u></u>

See Accompanying Notes to Financial Statements

**Greater Lapeer County Utilities Authority**  
**Statement of Cash Flows**

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	Year Ended June 30,	
	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities</b>		
Intergovernmental receipts	<b>\$ 1,493,481</b>	\$ 1,439,166
Payment to suppliers	<b>(1,494,602)</b>	(1,440,755)
	<u><b>(1,121)</b></u>	<u>(1,589)</u>
<b>Cash flows from investing activities</b>		
Interest income	<u><b>2,319</b></u>	<u>1,140</u>
	<b>1,198</b>	(449)
Net change in cash		
Cash, beginning of year	<u><b>60,765</b></u>	<u>61,214</u>
Cash, end of year	<u><b>\$ 61,963</b></u>	<u>\$ 60,765</u>
<b>Reconciliation of net operating revenues (expenses) to net cash provided by (used by) operating activities:</b>		
Operating loss	<b>\$ (1,121)</b>	\$ (1,589)
(Increase) decrease in		
Due from other governmental units	<b>(29,577)</b>	10,120
(Decrease) increase in		
Due to other governmental units	<u><b>29,577</b></u>	<u>(10,120)</u>
Net cash used by operating activities	<u><b>\$ (1,121)</b></u>	<u>\$ (1,589)</u>

See Accompanying Notes to Financial Statements

**Greater Lapeer County Utilities Authority**  
**Notes to Financial Statements**  
**June 30, 2006**

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**NOTE 1 – DESCRIPTION OF THE ENTITY**

The Greater Lapeer County Utilities Authority was created to facilitate water services for municipalities in Lapeer County.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Greater Lapeer Utilities Authority conform to accounting principles generally accepted in the United States of America applicable to state and local governmental units. As allowed by Government Accounting Standards Board (GASB) Statement No. 20, the Authority has not elected to apply FASB statements and interpretations issued after November 30, 1989 to its financial statements.

The following significant policies were applied in the preparation of the accompanying financial statements:

(a) THE REPORTING ENTITY

In accordance with the provision of GASB Statement 14, certain other governmental organizations are not considered to be part of the Utilities Authority entity for financial reporting purposes. The criteria established by GASB for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of the various governmental organizations participating in the Authority are not included in the financial statements of the Utilities Authority.

(b) BASIS OF PRESENTATION

The financial activities of the Authority are recorded within one fund, categorized and described as follows:

PROPRIETARY FUND

Enterprise Fund – The enterprise fund reports operations that provide services, which are financed primarily by user charges.

The accrual basis of accounting is used to record transactions.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from the estimates.

(c) CASH

For the purpose of the statement of cash flows, all highly liquid investments with a maturity of 90 days or less when purchased are considered to be cash.



**Greater Lapeer County Utilities Authority**  
**Notes to Financial Statements**  
**June 30, 2006**

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(d) DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units have been recognized for all significant amounts due to the Authority. Allowances for uncollectible accounts have not been provided because management does not consider collection doubtful, and feels that uncollected amounts would be immaterial.

**NOTE 3 – DEPOSITS**

At year end, the Authority's deposits were reported in the basic financial statements in the following categories:

Business-type activities	<u>\$ 61,963</u>
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*Interest rate risk* – In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting the maturity of its investments within each investment category.

*Credit risk* – State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Authority is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

*Concentration of credit risk* – The Authority's investment policy establishes limits on the amount of investment in any one issuer within each investment category as well as within the investment portfolio as a whole.

*Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. The carrying amount of the Authority's deposits with financial institutions as of June 30, 2006 was \$61,693, all of which was cash. The actual bank balances amounted to \$61,693 and was totally insured through the FDIC.